

## Minnesota Association of Farm Mutual Insurance Companies

## Mutual LINK

## “Quiet Strength, Exceptional Service, Unequaled Commitment”

*Steve Knutson, 2009-2010 MAFMIC Chairman*

Thank you for the opportunity to serve as the MAFMIC Chairman in 2009-2010. It is an honor and privilege to serve in this capacity. The association staff, board of directors and executive committee are looking forward to serving the membership in the coming year.

As I announced at the convention, my theme this year is “Quiet Strength, Exceptional Service, Unequaled Commitment.” The first part of my theme appeared on the pens that were distributed. The words “quiet strength” are based on the book Quiet Strength that recounts the life, faith and football coaching career of Tony Dungy, who recently retired as an NFL head coach. Tony chose to retire in order to pursue other interests. No doubt, Tony will continue to be a positive role model for our country going forward. By the way, I would recommend reading this

book if you have not done so.

According to Dungy’s former Pittsburgh Steelers coach, Chuck Noll, football champions are champions not because they do anything extraordinary but because they do the ordinary things better than anyone else. I’d like to equate that thought to MAFMIC. MAFMIC and our member companies were born out of necessity during the time when the pioneers and settlers could not purchase fire insurance from the eastern stock insurance companies. Our ancestors pooled their resources in the spirit of neighbor helping neighbor. They formed the Township



*Steve Knutson, 2009-2010  
Chairman*

Mutual insurance companies; Many of which are still in business today. Our member companies have thrived because we have learned to do the ordinary things better than anyone else.

The financial strength of the MAFMIC companies is unparalleled in the insurance industry. Our exceptional service and our unequaled commitment to our policyholders give our industry the “quiet strength” necessary to continue our tradition of excellence. I believe that MAFMIC and its members companies will continue to provide “quiet strength” to our policyholders well into the future.

“Quiet Strength, Exceptional Service, Unequaled Commitment” – it’s the MAFMIC way!



*RAM Mutual representatives,  
Dean Kerfeld (left) and Bert  
Tellers*



*A few of the registration favorites,  
Bill Iverson, Lynda Nordstrom  
and Mark Peterson (behind).*

## Convention Events

The 114th Annual Convention was an event to be remembered and will be, especially for those honored for services and those elevated to new positions within the association.

Jim Faber from RAM Mutual received the Seipp Service Award; Jim Barta from Jim Barta, CPA P.A. received Volunteer of the Year; Steve Knutson from RAM Mutual was elevated to Chairman; Ron Berning from Lake Park & Cuba Insurance was elevated to Vice Chairman; and Greg Parent was elevated to Secretary/Treasurer.



*Festive Sergeants-At-Arms (from left), Ron Berning,  
Jim Nelson, Sharon Schmitz, Dave Frundt, Chris Adams  
and Maureen Reineke*

In addition to the pictures in this issue of the Mutual Link, pictures will be posted at [www.mafmic.org](http://www.mafmic.org).

*Convention cont'd pg. 6 & 7*

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## President's Letter

*Wes Gainey, MAFMIC President*

I enjoyed reading the feedback we received from last month's MAFMIC Convention. The suggestions are helpful and will be useful in planning for next year. It appears from the responses that we had another very successful convention. 99.3% felt the Convention was "excellent" or "good" at meeting their expectations.

"One of the better conventions. The entertainment was also the best for many years. We laughed so hard, lots of fun!" was just one comment indicative of the many we received.

At the Convention Annual Business Meeting, I discussed the challenges the insurance industry is facing nationally. According to "industry experts", 2008 was one for the record books as far as property losses. Coupled with the downturn in investment income it was a very challenging year. But because of the conservative financial philosophy of our companies our industry remains stable.

Companies are meeting those challenges by looking at their deductibles, becoming more aggressive with inspection programs or re-underwriting their book of business. Also, recognizing the challenges, the MAFMIC staff and board are striving to find ways to reduce expenses without sacrificing quality or service. Again, this year, MAFMIC bucked a trend common to most trade associations by not increasing the membership dues rate for our mutual member companies.

Despite, the current recession and property losses, our companies overall remain strong. At the end of 2008, MAFMIC was blessed with 94 farm mutual member companies. By way of comparison; 20 years ago, there were 119 companies -- a loss of a little more than a company a year. Although this is a trend that can be concerning, there is a "silver lining" for an industry where each company is stronger and more secure.

During that same 20 year period when the total number of our mutual insurance companies was decreasing -- our industry was still managing to grow stronger.

- Total direct written premium grew from \$35.7 million to over \$94 million.
- The average size of a Minnesota mutual more than tripled going from a nearly \$300,000 dollars in annual premium to just over \$1 million dollars in annual premium today.
- Total insurance in force went from a little under \$17 billion dollars to over \$53 billion dollars.
- Total surplus increased from \$56 million dollars (an average of about \$473,000 per company) to about \$185 million dollars (an average of nearly \$2 million per company).

As an industry, one of our greatest strengths is a historical perspective that comes from the fact that almost all of our mutual companies have been in business for at least 100 years and many are approaching their 150<sup>th</sup> year and still going strong.

### Editorial Advisory Committee

Al Anderson, Chairman - North Star Mutual

Patti Rothfork, Melrose Mutual

Richard Raun - Woodland Mutual

Colleen Anderson - Corn Belt Mutual

Jonathan Troe, PFMM - Owatonna Mutual

Wayne Schluchter - Schluchter Investment Advisors

Kirby Dahl - Willenbring, Dahl, Wocken & Zimmerman

Karl Porisch, Western Mutual - *Board Liaison*

Marcus Marsh, MAFMIC - *Staff Liaison*

Lindsey Schuler, MAFMIC - *Staff Liaison*

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Send address changes to  
Mutual Link, PO Box 880, St. Joseph, MN 56374

## Annual Statements

The MAFMIC office is still looking for Annual Statements. If you have not yet done so, please send them to MAFMIC, PO Box 880, St. Joseph MN 56374



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## Member Profile

*Jim Thoen, Manager, North Fork Mutual*

North Fork Mutual was founded on February 11, 1882 by Norwegian settlers in North Fork Township, Stearns County, Minnesota. The original name of the company was Svea Norden Mutual Assurance Company. One of the earliest company rules was that a prospective insured had to have a minimum of \$400 of insurable property to become a member. The policyholder membership fee was \$1.50 and 20 cents per \$100 of insurance coverage.

There were a couple of company name changes along the way but in 1957 the company was renamed to North Fork Mutual Fire Insurance Company.

North Fork Mutual has two employees with an independent

inspector. There are 12 agencies that write for the company with 33 agents. The company is operating in 10 counties.

The Mission Statement reads: "North Fork Mutual is committed to providing member policyholders with quality insurance protection and customer service at the most competitive premium cost possible." The goal of Manager James Thoen is to continue exactly that along with company growth. Challenges for the company are trying to hold down operating expenses and managing investment income.

North Fork is involved in the community through banking locally, contributing to the local schools, scout programs and area fire departments.

The bottom line for North Fork Mutual is service.

**"The bottom line  
for North Fork  
Mutual is service."**

### MANAGER POSITION AVAILABLE

New Sweden Mutual is looking for a new manager. This person should have computer skills, an insurance background and license and some accounting knowledge.

Please send resume by MAY 1, 2009.

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## Insuring Outside a Mutual's Territory & Secondary Property

*Kirby Dahl, Willenbring, Dahl, Wocken & Zimmerman, PLLC*

Minnesota Statutes Chapter 67A which governs township mutual insurance companies provides in part that township mutuals may insure "qualified property."

"Qualified property" is defined in the law as "dwellings, household goods, appurtenant structures, farm buildings, farm personal property, churches, church personal property, county fair buildings, community and township meeting halls and their usual contents." The law also provides that Township mutuals may insure what is called "secondary property."

"Secondary property" is defined in the law as any property (real or personal) which is not qualified property. A typical example of secondary property would be commercial (non-farm) personal property or structures. The maximum amount of coverage that a township mutual fire insurance company may write on secondary property is 25% of

the total limit of liability shown on the policy issued to an insured for qualified property.

By way of example, if the coverage on your insured's dwelling, household goods, and farm-related buildings and properties (qualified property) totals \$1,000,000.00, then the maximum limit of coverage your company can write on the insured's commercial (secondary) property is \$250,000.00.

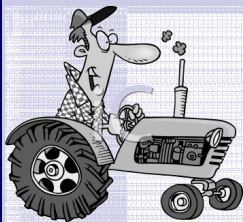
Confusion often arises as to what property a company may insure if the property is located outside of your authorized territory but still within the State of Minnesota and what, if any, limitations on the amount of such coverages would then apply.

If your company covers qualified property for an insured within the company's authorized territory, your company may then insure any property owned by that

same insured which is located outside the authorized territory of the company, without a dollar limitation provided that the insured property is "qualified property."

Typical examples of qualified property located outside of your territory that policyholders might want to insure with your company are lake cabins or second homes and their contents. However, if your company seeks to insure secondary property such as non-farm commercial property for that same insured outside of your authorized territory, then the combined total limit you may write on the secondary property (located both within and without your territory) is 25% of the total of the limits on the policy for qualified property located both within and without your territory.

The Modernization Act currently being put forward by the Minnesota Department of Commerce does not modify these provisions of current law.



### FARM SHOW GIVE-A-WAYS

Anyone is welcome to drop items off at any Farm Show or the MAFMIC office to be given away. Farm Shows will be held in Owatonna (March 19-21), Redwood County (Aug. 4-6), and West Fargo, North Dakota (Sept. 15-17).

Contact the MAFMIC Office with questions (320) 271-0909



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DAY!**

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## Investment Updates

*Wayne Schluchter, Schluchter Investment Advisors*

On October 4, 2008 **FDIC limits** were increased to \$250,000 per tax identification number. The \$250,000 insured limit is due to expire December 31, 2009 and return to the \$100,000 previous level. We believe Township Mutual companies should be careful when investing over \$100,000 in CD's maturing later than 12/31/09. It is likely, in our opinion, that the new \$250,000 will be extended but that decision has not been finalized.

**Municipal Bond Insurance** update: Triple-municipal bond insurance emerged in 1971. From 1971-2007 the number of insured issues grew significantly. In 1980 only 3% of bond issues were insured compared to approximately 60% in 2007. With growing popularity of insurance, the number of insurers also increased. The chart below details seven insurers with their present credit ratings as of 2/25/09.

In addition to insuring municipal bonds, many of the Municipal Bond Insurers wrote coverage on collateralized debt obligations. Beginning in 2007, insurers' credit ratings came under review due to sub prime mortgage exposure. This exposure threatens the insurer's claims paying ability and resulted in rating downgrades. In 2007 there were seven insurers rated triple-A (AAA) by the three major rating agencies. Today very few of the insurers have triple-A ratings by Moody's, and Standard & Poor's, and Fitch.

As you can see in table (1), the current picture of the bond insurance industry is not pretty. Investors should look closely at the underlying ratings of any bond they currently hold or consider for purchase and not rely solely on the insurance. Insured bonds do not automatically receive these ratings. The issuer must determine which, if any, ratings it will purchase for the insured bonds. The issuer is also responsible for paying the rating fee to each rating agency that assigns ratings to the bond issue. If you have questions about FDIC limits or bond insurance please email [wayne@schluchteradvisors.com](mailto:wayne@schluchteradvisors.com) or call 800-791-2269.

There are three major rating agencies for municipal bonds: Moody's Investor Services, Standard & Poor's, and Fitch Rating. Of the three rating agencies, Standard & Poor's and Moody's rate over 8% of all municipal and corporate bonds. Rating agencies use mathematical ratios to compare an issuer to others; however, a rating is not a scientific evaluation and subjective evaluation plays a role in the final rating assigned.

Table (2) shows the comparable investment grade rating of the three major rating agencies.

Current Bond Ratings	Moody's	S&P	Fitch
Assured Guaranty Corp.(AGC)	Aa2-stable	AAA- stable	AAA – stable
Financial Security Assurance (FSA)	Aa3 – developing	AAA- negative	AAA – negative
MBIA Insurance Corp. (MBIA)	Baa1 – developing	AA – negative	Withdrawn
AMBAC Assurance Corp. (AMBAC)	Baa1 - developing	A – negative	Withdrawn
CIFG Assurance (CIFG)	B3 – uncertain	B – negative	Withdrawn
Financial Guaranty Ins. Corp. (FGIC)	Caa1 – uncertain	BB – negative	CCC – evolving
Syncora Guarantee (XLCA)	Caa1 – uncertain	B – developing	Withdrawn
Berkshire Hathaway Assurance (BHA)	AAA – stable	AAA – stable	N/A
Radian Guaranty Inc.	B3 - uncertain	B - negative	N/A

**Table 1**

*Securities offered through First Allied Securities Inc. Member FINRA/SIPC*

	Moody's	Standard & Poor's	Fitch
Best Quality	Aaa	AAA	AAA
High Quality	Aa1/Aa2/Aa3	AA+/AAAA-	AA+/AA/AA-
Upper Medium Grade	A1/A2/A3	A+/A/A-	A+/A/A-
Medium Grade	Baa1/Baa2/Baa3	BBB+/BBB/BBB-	BBB+/BBB/BBB-

**Table 2**

### Are you taking advantage of the MAFMIC Mutual Assistance Manual?

The MAFMIC Mutual Assistance Manual is a tremendous resource for questions or concerns for just about any subject involving the operation of a Minnesota mutual.

The current version of the manual is available at [www.mafmic.org](http://www.mafmic.org) under the "Services" tab. The MAFMIC Mutual Assistance Committee strives to keep the manual up-to-date.

Your assistance would be appreciated. If you see something that needs to be changed, updated or added to the manual, please contact a member of the Mutual Assistance Committee or the MAFMIC office at [info@mafmic.org](mailto:info@mafmic.org).

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## Retiring Directors

### *A Note of Recognition*

The following township mutual Directors have retired since the previous MAFMIC convention or will be retiring at the company's next annual meeting. We congratulate you...one and all...for your many years of service to your company and the mutual insurance industry in Minnesota.

**Richard Ahrens**; 18 years of service as a Director with Plainview Mutual Insurance Company.

**Lester Bettermann**; 12 years of service as a Director with Holmes City Farmers Mutual Insurance Company.

**David Egger**; 8 years of service as a Director with Plainview Mutual Insurance Company.

**Paul Frank**; 23 years of service as Vice-President with Bloomfield Mutual Insurance Company.

**Leo Guennigsmann**; 15 years of service as a Director with Sumter Sumter Mutual Insurance Company.

**Wayne Kronebusch**; 17 years of service as a Director with Plainview Mutual Insurance Company.

**Joseph Loehr**; 24 years of service as a Director with Melrose Mutual Insurance Company.

**Ronald Marzinske**; 22 years of service as a Director with McPherson Minn Lake Mutual Insurance Company.

**Robert J. Murphy**; 35 years of service as Treasurer with Mower County Farmers Mutual Insurance Company.

**Joan Roppe**; 37 years of service as a Director with Marshall County Mutual Insurance Company.

**Charles Rother**; 29 years of service as a Director with Plainview Mutual Insurance Company.

**Kristi Ruesink**; 5 years of service as a Director with Bloomfield Mutual Insurance Company.

**Laura Schiroo**; 15 years of service as a Director and Secretary with Sumter Mutual Insurance Company.

**Duane Schulz**; 11 years of service as a Director with Plainview Mutual Insurance Company.

**Don Sexton**; 19 years of service as a Director and President with Plainview Mutual Insurance Company.

## Convention Events Cont'd



Opening General Session and Keynote, Bryan Townsend



Seipp Service award recipient, Jim Faber and his wife, Lu are ready for the banquet.



Auxiliary speaker Sue Poser (left) and Immediate Past Auxiliary President, Kim Oachs.



RAM/MAFMIC luncheon speaker, Judy Janish and Chairman Steve Knutson



NAMIC Chairman Bruce Thomas (left) and Fairmont Farmers Manager, Paul Stueven engage in friendly conversation.



Immediate Past Chairman Doug Oachs and his wife Kim ready for the fiesta.

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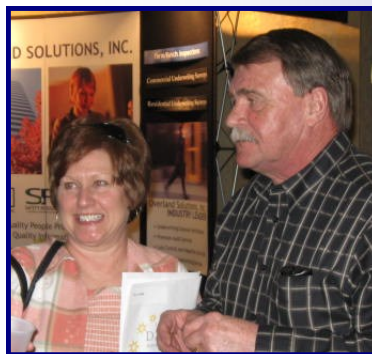




Albert Hoffman (left) and banquet comedian, James Wedgwood had the crowd rolling with laughter.



Ruth Rothstein and Dennis Boucher are hoping for prizes while Larry Johnson mans the Marketing Booth.



Linda and Dale Ulve stop to chat in the reception area.



It took a dirty trick to get Jan Johnson on stage during the banquet.



(from left) Linda Jaskowiak, Kelly Drengson, Shannon Geihl, Kim Oachs, Jen Visser, Lori Olmscheid and Deb Liden dance to Shannon's song of choice.



Cherryl and Steve Knight carry a tune during the Mutual Celebration.



(from left) Duane Leukam, Greg Roiland and Jim Gruber sing their hearts out at the Mutual Celebration.

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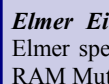
## MAFMIC 2009 CALENDAR OF EVENTS

March	19-21	<b>Owatonna Farm Show</b> Steele County Fairgrounds, Owatonna
April	21-24	<b>Spring Agents Seminar</b> Bemidji, St. Cloud, Morton, Rochester
May	19-20	<b>Manager's Retreat</b> Thumper Pond Resort, Ottertail
June	29-30	<b>Congressional Contact Visit</b> Washington, DC
July	15	<b>Manager &amp; Director Seminar</b> Holiday Inn, St. Cloud
July	16	<b>Education Scholarship Golf Outing</b> Little Crow Country Club, Spicer
August	4-6	<b>Farm Fest</b> Gilfillan Estates, Redwood County

## IN SYMPATHY



**Robert Anderson** passed away Dec. 9 at the age of 79. Robert served as Director and Vice President of Mound Prairie Mutual.



**Elmer Eichers** passed away Dec. 12 at the age of 90. Elmer spent 21 years with Wakefield Farmers Mutual and RAM Mutual.



**Richard Field** passed away Nov. 26 at the age of 85. Richard served as Director and President of Marshall County Mutual.



**Sharon Oelfke**, wife of Ronald Oelfke, passed away Dec. 3. Ronald is a director at Young America Mutual.



**Paul Olson** passed away at the age of 89. Paul served 17 years with San Francisco Mutual. (Picture not available).

**Greg Moore** passed away June 12, 2008 at the age of 62. Greg served Farmer's Home Mutual. (Picture not available).

MAFMIC wishes to express its sympathy to the friends and families of Robert, Elmer, Richard, Sharon, Paul and Greg

*To submit an article to be published in the Mutual Link please send them to Mutual Link, PO Box 880, St. Joseph, MN 56374, or email them to [info@mafmic.org](mailto:info@mafmic.org).*